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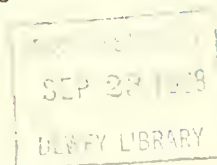
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PUBLIC AND PRIVATE RESPONSIBILITIES IN
ON-THE-JOB TRAINING OF
DISADVANTAGED WORKERS

BY

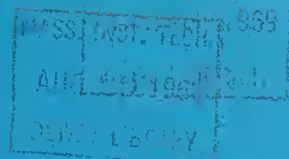
MICHAEL J. PIORE

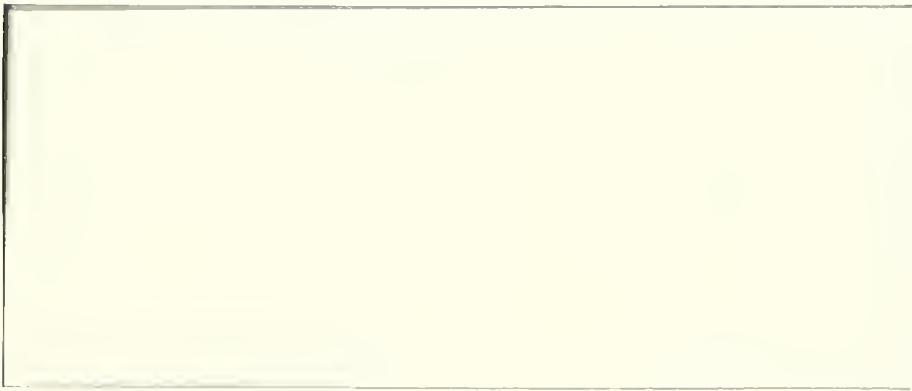
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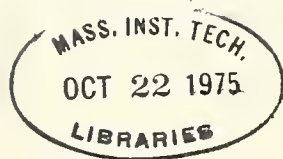
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This paper, as the title suggests, is an attempt to assay public and private responsibilities in the on-the-job training of disadvantaged workers. The argument rests upon two definitions: that of on-the-job training and that of disadvantaged workers.

On-the-job training is defined as training conducted in the process of production. It occurs within institutions where production is the primary concern, and training is the biproduct of efforts to meet production responsibilities. Training on-the-job is extremely informal: frequently, it is not explicitly recognized as a distinct process. Instruction, to the extent that it is provided at all, is given by production supervision or experienced workmen, and the trainee is expected to produce marketable output while he is learning.¹ Such training is distinguished from that conducted in educational institutions where training itself constitutes the institution's final output and the training process is its central concern. It is also distinct from formal classroom instruction provided in non-educational institutions where the instructor, if not the institution itself, is responsible for training alone.²

It follows from this definition that employers can be induced to change the amount and character of the on-the-job training they now provide only to the extent that change is compatible with their productive responsibilities. This is equally true of private enterprises engaged in production for the market and governmental institutions responsible for the provision of public services.

1. For a more detailed description of the nature of on-the-job training, see Michael J. Piore, "On-the-Job Training and Adjustment to Technological Change" in the Journal of Human Resources, forthcoming.

2. Although this conceptual distinction is often difficult to maintain in practice.

Virtually every job involves some on-the-job training, if only to familiarize the new worker with the shop environment. To this extent, the problem of on-the-job training is synonymous with that of employment. Blue collar workers report that most of their training takes place on-the-job.³ For white collar and professional employment, formal education is relatively, if not absolutely, more important.⁴

The term "disadvantaged", as used in this paper, refers specifically to the black poor in urban ghettos. This is the group of most immediate policy concern, and recent public efforts to encourage on-the-job training have been primarily directed at its members. Experience with this group is of some relevance to the manpower problems of other groups often encompassed by the term "disadvantaged"; but it is risky, and, in some cases, clearly wrong, to generalize.

The manpower problems of the urban ghetto appear best defined in terms of a dual labor market: a primary market offering relatively high-paying, stable employment, with good working conditions, chances of advancement and equitable administration of work rules; and a secondary market, to which the urban poor are confined, decidedly less attractive in all of these respects and in direct competition with welfare^{4a} and

3. United States Department of Labor, Formal Occupational Training of Adult Workers, Manpower/Automation Research Monograph, No. 2, Dec., 1964.

4. But whether its importance is economically or socially determined is an open question. The formal education of doctors and lawyers is, for example, a development of relatively recent origin.

4a. The term "welfare", here and throughout the paper, refers primarily to Aid to Families with Dependent Children (AFDC). This program is largely confined to female-headed families. But my own conversations in the ghetto suggest that the number of men indirectly supported by the program is large. They also indicate that "paper desertions" may be as frequent as actual desertions (although such a dichotomy does considerable injustice to the complexity of the phenomenon). In one sense, this is encouraging: it suggests that people respond to the economic incentives which they are offered and should be responsive to changes in the incentives. CF. Office of Policy Planning and Research, U. S. Department of Labor, The Negro Family (The Moynihan Report), March, 1965.

crime for the attachment of the potential labor force. The high rates of unemployment which are conventionally used to define the manpower problems of the disadvantaged, are probably better understood as symptomatic of high turnover in the secondary market. The proportion of ghetto unemployment that is short term, which appears to be relatively greater than that outside of the ghetto, argues to this effect.⁵

5. This is suggested by preliminary studies of national unemployment data and of data gathered in the November, 1966, sub-employment survey in urban slum areas. Both data appear to show unusually high rates of short-term unemployment relative to those unemployed long term. In the sub-employment survey, the percent of total unemployment "out of work since July" was less than 16% in five of the eight cities reporting such a statistic. The statistic appears to correspond to the "15 weeks or longer unemployment" statistic in the national data which, in 1966, averaged 20.6% for Negroes and 18.6% for the whole labor force, despite unemployment rates lower than those prevailing in the slums.

Comparisons of the relationship between long-term and total unemployment for nonwhites and with that for the total labor force point in the same direction. The relationships, using 1958-1966 data, are as follows:

Nonwhite Labor Force

$$\frac{U_{LT}}{U_T} = .542 + 2.88 \frac{U_T}{LF} \quad R^2 = .8317$$

(.12) (6.29)

Total Labor Force

$$\frac{U_{LT}}{U_T} = .112 + 4.77 \frac{U_T}{U_{LF}} \quad R^2 = .9350$$

(.05) (10.73)

t statistic in parenthesis

Where U_{LT} = Unemployed 15 weeks or longer

U_T = Total unemployed

LF = Labor Force

When the sub-employment data are viewed in the light of these national equations, the results are even more striking. Even the nonwhite equation overpredicts the long-term unemployment in the ghetto. For the eight (Footnote 5 continued on Page 4)

Such an interpretation is certainly consistent with the complaints of ghetto workers, which center upon the character of available work.⁶

It is also consistent with the complaints of a tight labor market voiced by employers offering readily accessible unskilled jobs to black workers; in the face of the high ghetto unemployment rates, these complaints are otherwise inexplicable.

The dual labor market interpretation suggests two approaches to the solution of the problem: efforts to change secondary jobs so that they more closely resemble those in the primary market and efforts to open primary employment to ghetto workers. Recent policy has taken the latter approach, and it is examined in the first section. Federal policies have not been directed at change in secondary jobs, but it is possible to gain an understanding of what such a policy would imply by examining possible explanations of the dual market structure. This is attempted in the second section of the paper. The policy implications of the analysis are examined in the concluding section.

(Footnote 5 continued)

slums as a group, long-term unemployment averaged 16.9% of total unemployment; the equation predicts 26.5%. The overprediction is also true for seven of the eight cities taken individually. The exception, San Antonio, had an actual rate of 25% and a predicted rate of 23.5%.

These findings, it is to be emphasized, are tentative. The statistical techniques used are crude, and other variables, such as age, sex, participation rates, and unemployment insurance coverage might explain the results.

6. See, for example, the results of the survey of rioters in Detroit and Newark, Report of the National Advisory Commission on Civil Disorders (New York: Bantam Books, Inc., 1968) p. 132-133 and p. 175. Note also Claude Brown, Manchild in the Promised Land (New York: Macmillan, 1965) passim but especially p. 290-291, and 296.

I

Opening Primary Employment

The experience in opening primary employment to the disadvantaged has not been encouraging. Employer complaints center around behavioral attributes, especially attendance. They allege that ghetto workers are more frequently late or absent than other new hires and that voluntary turnover is exceptionally high. Problems of theft and insubordination are also emphasized. Job skills do not appear to pose a problem. Some managers feel that ghetto workers learn more slowly than other new hires, but the general tenor of employer comments leaves the impression that the ability to absorb necessary job skills is not an insurmountable barrier.^{6a}

The observations about jobs skills, although at variance with much of the rhetoric on the problem, are not altogether surprising. Virtually all of the primary jobs newly opened to the ghetto are semi-skilled: the required skills are manual, and normally learned in a matter of days or weeks. In some of the plants, shortrun peaks in the work load are, in fact, shifted to the secondary market through such devices as sub-contracting, temporary help services, and a continual recycling of new hires through the probationary period, discharging workers on the day before they acquire permanent seniority rights and hiring new workers to replace them. Thus the ghetto labor force has performed the jobs in the past, albeit without the rights accorded primary workers in these jobs.

Considerable caution must be exercised in interpreting employer observations about behavior. The observations are largely impressionistic.

6a. Fairly typical of employer comments is Richard D. James' report of the G. E. Hotpoint experience in The Wall Street Journal, May 21, 1968, p. 1, col. 1.

Supporting data, when available, sometimes show the performance of black workers alone without comparable figures for white employees.⁷ It is readily apparent in discussions that perceived differences are distorted by prejudice against blacks and resentment at the pressures which have forced their hire. Nonetheless, the reported experience does parallel that of other manpower programs in aid of the disadvantaged and is consistent with the difficulties which ghetto workers themselves report in adjusting to primary jobs. If nothing else, moreover, the observations reveal the problems which in the eyes of the business community constitute the major obstacles to the employment of the disadvantaged. It is these problems which must be overcome if current efforts are to be appreciably expanded.

A variety of factors can be adduced to account for the behavioral difficulties of ghetto workers adjusting to the requirements of primary work. It is not presently possible to assess their relative force. But for many purposes, it may be unnecessary to do so; the factors are interrelated and have similar policy implications.

First, the secondary market itself fosters behavior antagonistic to primary employment.⁸ Lateness and absenteeism, for example, are tolerated in many secondary employments. For some jobs, all workers are hired daily, and absence on one day does not affect the chance of employment the next. Even when irregularity is punished, workers have

7. One employer, after arguing that black turnover was intolerably high, returned to study the turnover among white workers and found it even higher.

8. See, in general, Elliot Liebow, Tally's Corner, A Study of Street-Corner Men (Boston: Little, Brown and Co., 1967) p. 29-71.

little incentive to attend regularly, since the frequency of layoff or discharge makes it unlikely that the job will last in any case. Insubordination is encouraged by the lack of formal grievance procedures and the tyranny and capriciousness of supervision.⁹ The penalty for insubordination is discharge, but, again, given the inherent instability of employment, it has little deterrent effect. Even petty theft is sometimes accepted in secondary jobs: wages are set below the market to cover the loss, and the employees take the jobs knowing that they can steal the difference between the wage and the market rate.¹⁰

While these behavioral patterns may initially represent a rational response to the economic environment, they tend to become habitual. Workers leaving the secondary market must then "unlearn" old habits to conform to the work rules of primary jobs. This is true even when they are aware of the different standards which prevail in the primary sector; in some cases, they are not.

9. On managerial techniques in low wage industries see Robert L. Kahn and Nancy C. Morse "The Relationship of Productivity to Morale" Journal of Social Issues, Vol. VII, No. 3, 1951; and William J. Goode and Irving Fowler, "Incentive Factors in a Low Morale Plant" American Sociological Review, 1949, pp. 618-624.

10. See, for example, Liebow, op. cit., p. 36-40. As Liebow notes, regulations are complex: the employer does not actually condone theft and the employee is fired if he is caught. But theft is expected, and employees are not monitored closely. A somewhat similar pattern is described by Bernard Malamud in his novel, The Assistant (New York: Farrar, Straus & Giroux, Inc., 1957) Both Liebow and Malamud refer specifically to service jobs. But theft also characterizes secondary manufacturing work. One man in Roxbury described a semi-skilled job of a friend as "\$2.00 an hour and all the raincoats you could steal." The friend had worked there seven years.

Second, the behavioral patterns fostered by secondary jobs are reinforced by "street-corner" life, a life-style widely prevalent among low income people in general and in the black ghetto in particular.¹¹ The focus of this life style is the street group. For the individual attached to the street, status and position in the world are defined by the group. His life has reality only in a group context, and divorced from the group he is lonely and lost. The goal of group life is constant excitement. But, in fact, the life of the street group is episodic: an endless period of "hanging around", punctuated by short adventures, undertaken by the group as a whole or by an individual, but achieving meaning through retelling to the group. Life thus tends to be immediate and sensational; past adventures are continually recalled but the future is not anticipated.

11. The following characterization of low income life styles draws heavily upon the analysis of Herbert Gans, The Urban Villagers (New York: Free Press of Glencoe, 1962) especially pp. 229-262, supplemented by Liebow, op. cit.; and by Claude Brown, op. cit.; Oscar Lewis, La Vida (New York: Random House, 1965); Peri Thomas, Down These Mean Streets (New York: Alfred A. Knopf, 1967); and Malcolm X, Autobiography (New York: Grove Press, 1965). The analytical literature on low-income populations is summarized in Gans, op. cit. Gans' work is a study of life-styles among low-income Italians in Boston's West End. The life-styles of Negro and Puerto Rican poor described in the latter references differ from those described by Gans in two important respects: 1) Gans terms the West End analogues to the street groups described in the text "peer groups", whereas the adult groups, especially in Liebow and Malcolm X, are composed of men of all ages 2) The West End groups are exceedingly stable; they form in childhood or adolescence and last a lifetime. The groups described by Liebow, and incidently by Thomas and Malcolm X, are unstable: although people are always attached to some group, they change groups frequently, and friendships, very intense while they last, are of short duration. As will be seen below, the ease with which people change groups is of some moment in adaptation to primary employment. The instability of the groups may ease the adaptation. On the other hand, as described by Liebow, the instability of group attachment is symptomatic of a more fundamental instability in approach to life. Interpreted in this way, unstable group attachment is not conducive to primary employment.

"Street-corner" life is more compatible with welfare and illicit activity than with legitimate employment. Life on welfare leaves considerable time for the street and the group; many illicit activities are shortrun and episodic in nature, their very illegitimacy heightens the sense of adventure which is sought. But the secondary labor market is also attuned to street life in a way in which primary employment is not. Its limited demands upon the individual permit continued participation in the street group: when work schedules interfere with group activity, the individual simply skips work. A certain amount of income sharing within the group tides members over between jobs. The petty thefts and open disputes in secondary jobs become stories of bravado when retold on the street. Moreover, the incentive structure within the shop is attuned to the short-time horizon which street life fosters: heavy reliance is placed upon piece and hourly rates to induce effort as opposed to salaries, profit sharing, and group incentives. Primary employment, in contrast, requires the individual to abandon street life regularly and for long periods of time, it calls upon individual commitment to a future that street corner life does not recognize and to an ethical code that the street group rejects.

This is not to suggest that the whole of the ghetto population, or even of its low income component, is permanently attached to street life. That life style is particularly characteristic of adolescence. Outside of the ghetto, most individuals develop more stable, routine patterns of living as young adults when they marry and form families. The new pattern may continue to center around a group, but group activities occur within the constraints imposed by family life and the

employment patterns necessary to support it.¹²

People within the ghetto also make this transition. They do so less frequently than outsiders. The scarcity of jobs which offer a steady income capable of sustaining stable life patterns is undoubtedly a major -- possibly the major -- reason that people do not abandon street life in greater number. But my own contact with the ghetto suggests that the low income population with stable life patterns, if relatively small, is still absolutely large.¹³ These people already possess the habits required for primary employment, and are most likely to succeed there. Young adults with new family responsibilities which predispose them to a stable life style are also likely to succeed.

Unfortunately, the techniques used in recruiting ghetto labor for primary employment tend to attract those whose attachment to street life is greatest. Heavy emphasis has been placed upon the recruitment of teenagers, young adults and the unemployed. Recruitment through store-front employment offices and by community workers on the street corner and in neighborhood bars, cafes and pool rooms also tends to draw disproportionately large numbers of those most closely attached to the street. Such techniques may be optimal for training and work orientation programs but not for permanent placement in primary employment.

12. See Gans, op. cit., p. 64-73.

13. This is also suggested by data on poverty families. In 1966, for example, 1.5 million heads of male-headed families (26%) and .4 million heads of female-headed families (7%) worked 50 or more weeks, Council of Economic Advisors, Annual Report (Washington: U. S. Government Printing Office, 1968) p. 146. The hold of these people on their jobs, however, is frequently very tenuous. Some jobs, for example, in otherwise unstable industries are "stabilized" for individuals by the boss, who lets his favorite workers continue in the few remaining jobs during large layoffs.

It is doubtful, however, that changes in recruitment techniques alone would be sufficient to attract the stably employed. In a world where stable jobs are scarce, the cost of losing such a job is high. It is especially high for the ghetto workers in such jobs. They tend to share middle-class attitudes toward welfare and family, and the systems of income maintenance which serve to stave off destitution for others in the ghetto represent a special humiliation. They cannot, therefore, afford to abandon a steady, albeit low income, job to try primary employment which provides no guarantee of success.

In addition to biasing recruitment toward the street corner and away from stable workers, present techniques may also have selected the most difficult cases from the street corner population itself. While relatively little is known about the difference among the myriad of ghetto street groups, one distinction clearly warranted is between those who "hustle" for a living and those who do not. Hustling is the preferred activity both in prestige and in income, but it requires skills not universally possessed. Most "hustles" involve the illicit sale of goods and services: drugs, prostitution, numbers, stolen goods and loan sharking. The successful hustler must thus be adept at both stealing and salesmanship; the most successful possess certain entrepreneurial qualities enabling them to judge "markets" and build organizations. People without such talents have difficulty making a living and run a high risk of arrest. They are forced by default upon the legitimate labor market for a living.¹⁴

14. Compare, for example, the street-corner men described by Liebow, op. cit. with the hustlers in Malcolm X, op. cit. and Brown, op. cit. The distinction between hustlers and nonhustlers also emerges among the characters in the latter two books. My own conversations in the ghetto indicate that the decision to hustle or not to hustle is often conscious and rational, adhering to the textbook example of economic man selecting among occupations.

Hustlers are not likely to find primary employment attractive. The primary jobs in private industry offered in the ghetto have been largely semi-skilled and manual.¹⁵ They do not utilize the hustler's skills and, compared to hustling, are exceedingly monotonous. Hustlers may nonetheless be attracted by such job offers. They tend to be more adventurous than others on the street and more curious about the outside world. But once having seen the new job, they will either quit or get caught in an attempt to build a hustle out of it. The recruiters in the ghetto are also more attracted to hustlers, who tend to be brighter and more interesting than other workers. An additional bias is created by the fact that the jobs in manpower programs do utilize the skills of hustlers, and hire a relatively large number of ex-hustlers as recruiters. These recruiters, in turn, tend to attract other hustlers because they know them, because of a genuine missionary zeal, sometimes as a lark to "con" the employer or the recruit.

A third factor generating the behavior complained of by primary employers is the more conventional problem of transportation and illness. Both of these are widely recognized as barriers to the initial employment of disadvantaged workers. They may also be responsible for lateness and absenteeism once the job has been obtained. It should be noted that this is not simply a problem of the ease of transportations and frequency of illness in the ghetto relative to the outside. The problem must also be viewed relative to other forces working against regular attendance. Transportation and illness which would not affect the attendance of workers accustomed to stable jobs can prove deciding in the decisions of workers habituated to unstable employment and strongly

15. Some repetitives sales jobs have also been offered, but mainly to women.

attracted by the street. Thus behavior apparently produced by transportation or health may be susceptible to remedy through on-the-job training. Conversely, transportation and health programs may remedy behavior whose origin is psychological.

Finally, the performance of ghetto workers in primary employment may have been seriously affected by a backlash among the line supervision and rank-and-file of hourly employees. It is these people who serve as instructors in on-the-job training. Without their cooperation, the new worker progresses more slowly, at best, learning on his own through trial and error. In some jobs, he cannot progress at all. Even more important for the ghetto worker, the work group composed of his fellow employees serves as a substitute for the street group he has left behind. Rejection and abuse from the work group acts to force the ghetto worker back to his friends on the street, thus reinforcing the behavioral patterns which confine him to secondary jobs.

The presence of a strong backlash among white employees is clearly indicated by the comments of black workers, both longtime employees in predominately white plants and new hires. Some of their comments suggest that instruction has been completely withheld. Limited acceptance by the work group appears to be virtually universal. Concerns about backlash problems is also evinced by employers. Even employers denying such problems report complications in labor negotiations that would seem unlikely to occur without repercussions in the training process.¹⁶

16. See below p. 14f

Backlash problems are also suggested by surveys of the union rank and file and of line supervision.¹⁷

The white backlash has been abetted by racial prejudice, but its strength and precise manifestations appear directly attributable to the behavior concessions employers have made to hire and train ghetto workers. The concessions have involved toleration of Negro offenses against shop rules for which white workers are severely punished. This, in itself, is a cause for resentment. But still more fundamentally, the concessions operates through the discipline procedure to disrupt the industrial relations equilibrium and what appears to be a backlash is in many cases a form of employee pressure, comparable to a strike or slowdown, designed to affect the new equilibrium position. To understand this phenomenon, it is necessary to explore the dynamic governing the evolution of work rules in the primary sector. This is done most easily in the context of a union shop.

Four principles are critical to the dynamic. First, most work rules, particularly those involving behavioral and production standards, are irksome to employees. The work force generally desires looser standards and less stringent punishments for violations. The prevailing rules are a compromise between these desires and management's interest

17. A. H. Raskin's New York Times Sunday Magazine,

A recent study of managerial attitudes in large companies sending managers to the Sloan School of M.I.T notes a divergence between top and first-line supervision which may also suggest a backlash: "First-line supervisors were more likely to rate the Negro's performance lower, more likely to be opposed to hiring the unqualified Negro and training him at company expense, and more prejudiced than were top management. [W]here perceived company pressures on management to hire Negroes preferentially (were) greatest, more resentment was indicated in the form of expressed prejudice..." Wendel Winston Cook, Industry Attitudes About the Employment of Negroes, unpublished Masters' dissertation, Massachusetts Institute of Technology, June, 1968, p. 110 and 111.

in tighter standards. Second, the primary labor force insists upon uniform application of all rules and penalties. Any deviation from uniformity is thought to indicate favoritism or malice and thus violates fundamental principles of equity. Third, work rules tend to be defined by precedent.¹⁸ The portion of rules formally recorded is small, and even written rules are often no more than vague standards dependent for their meaning upon past practices. Finally, any deviation from the prevailing standard tends to become a precedent itself governing future action. This is particularly so when the deviation occurs at the behest of one party but in the direction favored by the other. It then becomes an implicit bargaining concession, and uniformity is restored by adopting the deviation as the rule.^{18a}

These principles pose special problems in on-the-job training. The training process, by definition, involves concessions for the trainee in the norms of experienced workmen, thus creating the danger that the concessions will become precedents applied to all workers. The probability of this occurring is reduced by interpreting the principle of uniformity to apply to effort rather than productivity. But because the training takes place in the process of production, there is no clear demarcation between the trainee and the experienced workman, and the distinction is not always easy to maintain.

18. See Richard P. McLaughlin, "Custom and Past Practice in Labor Arbitration", Arbitration Journal, 1963, pp. 205-228.

18a. For a more detailed discussion of these principles see Marc Bloch, Feudal Society, Trans. L. A. Manyon (Chicago: University of Chicago Press, 1964) Vol. I, pp. 113-120; and the analysis derived from Bloch in Michael J. Piore, Technological Change and Structural Adjustment in the Labor Market, unpublished doctoral dissertation, Harvard University, September, 1966, pp. 31-38.

It is easiest to maintain in training for production standards. Experienced workers, who have themselves learned on the job, recognize the effort which this requires. The incommensurability of production standards on different jobs makes it difficult for the labor force to spot deviations from uniformity, and the difficulties of doing so are compounded by the practice of compensating for certain production standards through wage differentiation. Other devices used to prevent the spread of training concessions are specially designated trainee "jobs" or specified training periods. But even in training for production standards, the danger of infection remains, particularly when changes in jobs or in the characteristics of newly hired workers require a lengthening of accustomed training times.

In training for behavior standards, the danger is acute. For these rules, the requirement of uniformity has been interpreted literally: the rules are the same on all jobs and for all workers. There is no precedent for compensating variation in norms through wage differentiation; no special "training" periods, no memory in the experienced labor force of a time when they "learned" to conform to behavioral standards. In fact, the only exceptions made are to senior employees who develop special personal or family problems after long service with the company, and the labor force has come to interpret such concessions as a seniority right. Hence, the concessions granted ghetto workers are regarded as special favoritism, violative of the principle of uniformity, indeed of the whole system of equity in rule administration which the grievance procedure is designed to achieve.

19

19. The import of these violations is most clearly underscored by the fact that the principles constitute the most basic goal of trade unions and are a matter upon which newly organized unions are willing to stand or fall, even in shops where their positions are so precarious that gains in wages and working conditions must be deferred.

In fact, the problem is not inherent in the principles of equity themselves but, rather, in the failure of the white labor force to accept behavior as something which is learned in much the same way that work skills are learned. This suggests that enlightened management and trade union leadership directed at winning rank-and-file acceptance of this concept might relieve much of the pressure inherent in the situation. In some plants, such educational campaigns are occurring and it is possible that the "backlash" will abate as the campaigns begin to take effect. One might be a good deal more optimistic on this score were the issues self-contained. However, they are not. Rather, they are central to long standing, perhaps perpetual, disputes between labor and management over behavior norms and shop discipline. And many of the compromises on the treatment of ghetto workers which might otherwise be feasible are obstructed by the larger concessions they are thought to imply.

Typical of the issues at stake is the probationary period, the period between the date of initial hire and the time at which new employees become full union members subject to the protection of the collective agreement. Because probationary employees have no access to the grievance procedures, the work rules applied to them do not serve as precedents for the treatment of experienced workers. One way to isolate the effect of behavioral concessions is to lengthen probation to a period sufficient for ghetto workers to adapt to plant norms. The prevailing probationary period, however, represents a compromise between management's desire to maximize the period in which it is free to deal with workers unhampered by union rules, and the union's view of probation as a threat to collective bargaining. Thus, the union has reason to distrust managerial proposals to lengthen the

period; the counterproposal is typically a general liberation of disciplinary standards. Even when both parties have a strong commitment to the hiring of ghetto workers the impasse is difficult to resolve. When the commitment is small, the issue becomes a pawn in disputes of longer standing.

For the manpower problems of ghetto workers, the implications of this analysis extend considerably beyond the backlash per se. The analysis suggests that inherent in the behavioral concessions ghetto workers appear to require is a process that, at very least, complicates industrial relations in the shop and threatens, in the extreme, to extend the concessions to the plant as a whole. This means that the cost of hiring in the ghetto cannot be confined to the reduction in productivity on the jobs which the newly admitted hold. Employers fear an irreversible decline in the productivity of every worker in the plant and a permanent loss of management control over work standards which can only be averted at the cost of industrial strife. Ultimately, it is these fears which may prove the greatest obstacle to expanded primary employment for the disadvantaged.

The preceding discussion has been phrased in terms of organized shops; but this is largely for expositional reasons. The dynamic is operative in nonunion shops in the private sector and in the public sector as well. In the absence of a union, the pressures are expressed in a less formal manner but the principles of equity which are at stake are fairly universal. Personnel administration in conformity with these principles is one of the defining characteristics of the primary market, and primary jobs which are unorganized retain that status by acquiescence to them.

II

The Origins of the Dual Labor Market

A second approach to an understanding of the manpower problems of the disadvantaged is to examine the process through which the dual labor market is established and maintained. It is against this process that policies to encourage on-the-job training must operate. Economic theory suggests a variety of forces at work here. In practice, these forces probably interact to reinforce each other. But their effects may be seen most clearly by viewing each in isolation.

It is convenient to look first at the demand side of the market, assuming the labor force to be divided into two separate groups; workers with stable job attachment and workers whose job attachment is unstable and erratic. The problem is then one of inducing employers to distribute themselves between the two markets so as to absorb both types of workers. In a competitive market, it will be solved by differentiating wages and other conditions of employment so as to equalize the return derived from employing the two types of worker. The result is suggested by the case in which all employers require only unskilled labor and, save for the choice between hiring stable or unstable workers, are otherwise identical. Under these assumptions, three employment policies are possible. One policy is to hire a number of workers equal to the number of work stations, guaranteeing to each worker a steady job. The firm will select this policy if it employs stable workers who can be expected to appear regularly.

If the labor force is unstable, two other policies are possible. The company can institute a "shape-up", hiring each day from a gang of workers appearing at the gate, a number equal to the number of its work stations. Under this arrangement, productivity per employee will be

the same as that in the stable market, and the firm can afford to pay the same daily wage, provided that the gang is always large enough to fill all available jobs. Because workers are unstable, however, the gang is likely to vary in size from day to day. The guarantee against job vacancies provided elsewhere by worker stability can only be obtained, therefore, if even on the worst day the shape-up gang is at least as large as the number of jobs. This, in turn, implies that on most days the gang must be larger than the number of jobs, and unemployment among unstable workers will exceed that among stable workers.

The alternative to a "shape-up" policy is "overmanning", insuring that all work stations are covered despite absenteeism and turnover by maintaining a labor force substantially larger than the number of work stations. Complete insurance, however, requires that, on the average, there will be idle employees present. Thus, while productivity per work station is equivalent to that in firms hiring stable workers, productivity per employee is lower, and to induce firms to hire unstable workers the lower productivity must be compensated by lower wages.

In practice, firms hiring unstable workers will probably tend to pursue a combination of the "shape-up" and "overmanning" policies. Thus, relative to the stable labor force, both higher unemployment and lower wage rates will prevail among unstable workers, as appears to be the case in the secondary market.

Further differences between the two markets appear by relaxing the assumption that all jobs are unskilled and permitting employers the option of training skilled labor on the job. On-the-job training increases worker productivity, but an employer will have an incentive

to provide the training only if he can capture a portion of the increased productivity himself.²⁰ This, in turn, will be possible only if the job attachment of the labor force is stable. Hence, the stable and unstable labor markets will be distinguished not only by the level of wages and of unemployment, but also by the opportunities for training and the changes of advancement which training implies.

In practice, the instability of disadvantaged workers is only relative, and there is some turnover even among stable workers. The possibility of capturing increased productivity which on-the-job training creates will, therefore, lead companies employing stable workers to provide special inducements through seniority benefits to remain on the job and these, too, will differentiate the job offers in the two markets.²¹

20. This is true when on-the-job training is free, requiring no more than a choice among several otherwise equally attractive technologies. When on-the-job training has a cost, the increase in productivity necessary to induce the employer to provide it must, of course, be sufficient to cover that cost. See Gary Becker, Human Capital (New York: Columbia University Press, 1964). Becker also notes that the cost of training can be born by workers through lower wages during the training period. Where this is the case, stable and unstable workers will have the same access to training, but, to the extent that training requires continuity of employment in one job, unstable workers will be unable to complete it. For blue-collar jobs, moreover, a high proportion of on-the-job training is employer specific; it is of little value in shops other than those in which it took place, and this will reduce the incentive for unstable workers to accept training.

21. Actually, the necessary condition for differentiation in favor of the stable market with respect to inducements for stability is more stringent than that implied in the text. It requires that the increase in productivity per day on the job times the increase in days on the job per unit of seniority benefits is greater among stable than unstable workers for all combinations of training and seniority benefits which contribute positively to profit.

The real world, of course, does not approximate the case of essentially identical firms. Employers differ both in the stability of their demand for labor and in the advantages derived from skilled labor trained on the job. Because of these differences, some firms will find it less costly to operate with unstable workers than will others, and the differentiation in employment conditions will be less extreme in fact than in the restricted case of identical firms. Any given firm, however, will be indifferent between stable and unstable workers only if the duration of its demand for labor is less than or equal to the duration of job attachment among unstable workers, and unless the number of jobs available in such firms is at least as large as the unstable labor force, some differentiation with respect to wages and unemployment will remain. The differentiation introduced by on-the-job training will disappear only in industries, of which construction is the prime example, where the need for skilled labor coincides with highly unstable labor demand.

The converse of the fixed supply-demand adjustment case is one in which the labor force is homogeneous but demand is divided into stable and unstable jobs. The problem is then one of inducing workers to accept the presumably less attractive jobs in the unstable sector by compensating adjustments in other aspects of the employment offer. The fact that the employment offer in the ghetto market is clearly less attractive in all of its dimensions than that of stable jobs outside the ghetto suggests "homogeneous" supply is not the relevant case.

This conclusion is dependent, however, upon the assumption that labor is allocated among jobs through a market mechanism. The characteristics

observed in the two markets will also emerge in a model that assumes the stability of demand as given and otherwise homogeneous workers allocated by race.²² Racial discrimination has clearly influenced the distribution of jobs in the South where, until recently, Negroes were confined by force to agricultural work that is probably the least stable employment in the American economy. It has operated to similar effect, although arguably less strongly, in the Northern cities.²³

The competitive model also fails to take cognizance of the process through which behavioral traits are developed and maintained. As suggested in the previous section, work procedures and life styles, whatever their origin, tend to become independent determinants of behavior. Adults have difficulty breaking the habits and personal commitments which develop around them, and they are passed on to

22. Transportation and educational barriers may also operate like employment discrimination, to distribute unstable jobs. Thus, for example, if unstable employers tend to concentrate in the central city to which black workers are confined by housing discrimination, and stable employers locate in the suburbs there will be no need to compensate black workers to induce them to take unstable jobs. Since a large number of unstable jobs are in marginal companies whose short time horizon deters the investment in plant and transportation facilities that suburban location requires, there is reason to expect effects of this kind.

23. See, for example, David P. Taylor, "Discrimination and Occupational Wage Differences in the Market for Unskilled Labor," Industrial and Labor Relations Review, Vol. 21, No. 3 (April, 1968) pp. 378-379.

subsequent generations before they reach working age by the tendency of children to immitate their elders. Thus the distribution of a homogeneous labor force among heterogeneous jobs will operate over time to differentiate the labor force as well, and labor force characteristics will then perpetuate the distribution even if the original differences in the underlying job characteristics disappear. This, it is to be noted, will be true whether the initial distribution of the labor force was induced by market variables or imposed by discrimination.

Finally, the competitive model excludes two additional factors which have had a differential impact upon employment stability: trade union organization and federal social welfare legislation. Both have operated in the postwar period to sharpen the distinction between stable and unstable jobs.

Job security has been a major concern (in some theories of the labor movement, it is the major concern) of trade unions, and the history of union demands may be viewed as a trend toward the wage and employment guarantees afforded managerial and white collar workers. In the auto industry, the trend has culminated in the demand for a guaranteed annual income: in longshoring, the culmination is decasualization. These developments have been foreshadowed by job and income guarantees in the major nonunion companies like IBM and Polaroid, whose unorganized status is predicated upon employment conditions in advance of the organized sector. The net effect of such guarantees -- and of the partial guarantees which preceded them -- is to shift the cost of instability to the employer and thus provide incentives for the stabilization of jobs. Earlier union efforts to enhance job security centered upon the institution of

seniority in promotion and lay-off and due process in discipline. These provisions, by limiting management's ability to react to variations in demand in the most efficient manner, also create incentives to stabilize employment and a preference for stable employees. Other union gains have worked indirectly to this effect. Fringe benefits, such as paid vacations and holidays, severance pay, and health and retirement plans that link employer contributions to the size of the labor force irrespective of hours worked or wages paid, all deter arrangements which insure against absenteeism and turnover by increasing the ratio of workers to work stations. The replacement of piece rates by day rates, group incentives, and profit-sharing also works against the kinds of payments systems to which unstable workers are most responsive.

The relationship between union goals and employment stability is of interest because of the wide disparities in union power among various sectors of the economy. The disparities are, in large measure, the product of federal labor legislation. Industries specifically exempted from federal law -- nonprofit hospitals, agriculture, domestic service, and small business²⁴ -- provide probably the greater portion of the employment opportunities open to workers born in the ghetto and certainly of the employments in which in-migrants gain their early work experience. The specific exemptions are symptomatic of broader principles underlying the evolution of federal labor law which also operates to weaken union

24. I have excluded public employment from this list because civil service regulations provide a good measure of the kind of job security that unions afford.

organization in covered industries employing ghetto residents: Congress, and the courts, have been exceedingly reluctant to tailor the legislation to the peculiarities of individual industries. With limited exceptions, therefore, all covered employment is governed by the same legislative provisions, and changes in these provisions which would strengthen unions in sectors of the economy where they are presently weak have been deterred by anticipated effects upon union power in sectors of the economy which the electorate views with suspicion.

Federal social welfare legislation affects employment stability in a manner similar to that of union contract provisions. The most prominent effects are produced by the income ceiling upon the tax base of the social insurance programs, the ceiling on the tax rate in the experience rating formulae for unemployment insurance taxation, and the limited coverage of the legislation.

Under the social insurance programs, the employer incurs no tax on wages paid to an employee in excess of the income ceiling on the tax base. Where annual earnings of full time workers exceed the ceiling, therefore, the employer has an incentive to minimize the number of people on his annual payroll and avoid absenteeism, turnover, and fluctuations in demand which disperse the wage bill over a larger number of workers. Low wage employers and those excluded from coverage face no such incentive. The effect of the ceiling on the tax rate in unemployment experience rating is analogous. In the experience rating formula, a company's affective tax rate varies with the number of its erstwhile employees drawing insurance benefits, and this creates an incentive for stabilization, but the incentive does not operate in companies whose tax rate has already reached the ceiling. Employers exempted from coverage also escape the incentive.

More broadly, any provision raising employment cost will tend to deter instability. The increased cost must be matched by productivity gains: overmanning is discouraged and on-the-job training, with its concomitant incentive to avoid the loss of workers, is fostered. To a certain extent, therefore, the minimum wage legislation encourages stability, and the exemptions in that legislation create distinctions between covered and uncovered jobs not only with respect to the wage bill but with respect to all other aspects of the employment offer as well.

Federal social legislation is a product of the 1930's, and the incentives for stabilization which it introduces are a post-Depression phenomenon. The differential effects of these incentives tends to parallel that generated by trade unions, but has probably been more variable. Congress has expanded the coverage from time to time. Wage inflation has tended to strengthen the impact of the income ceiling but occasional increases in the ceiling have worked in the other direction.

The attribution of trends in employment stability to trade union organization and social welfare legislation is debatable. Labor history in developed countries may also be read as a trend toward a work force accommodated to industrial discipline and progressively further removed from the antagonistic work habits of its agricultural antecedents. It is, therefore, possible to attribute growing stability to accommodations which employers would have made without legislative and trade union pressure as the cost of so doing declined. Ambiguities in the relationship between union organization and employment stability strengthen this argument: casual labor markets are notoriously difficult to organize and service. An explanation which excludes trade unions completely,

however, is very difficult to sustain. If increasing stability is, in part, the product of cost reduction, it must have been furthered by the increased cost of instability which union strike pressure has generated. This should remain true, even if some initial level of stability were required to organize the pressure in the first place. The industrial scene exhibits enough attempts to evade job security clauses through such devices as subcontracting and temporary help services to suggest that job security has been extended beyond that which employers find optimal. An even stronger case can be made for the role of social welfare legislation. Its passage in the midst of the Depression undermines any argument that it was the product of increased stability expressing itself politically through lessened employer opposition.

Nonetheless, the trend toward a self-disciplined labor force accommodated to industrial work, is suggestive. The ghetto labor force is the latest of successive waves of migrants from agriculture to the industrial sector, and its relative proximity to agricultural antecedents may be the root cause of the problem. This does not necessarily imply, however, that the current ghetto population will follow the adjustment path of its predecessors from rural Europe. Earlier migrants made their transition at a time when the penalties for unstable work habits were more severe. Public welfare programs have since reduced the cost of life without work and rising wage levels the threat which unemployment, especially temporary unemployment, poses to subsistence. It is possible that such penalties make an important contribution to the development of stable work habits in an environment in which the instability of demand tends to reinforce the antagonistic work habits imported from rural life.

Moreover, the strict dichotomy of the dual market model does not accurately describe the labor market in earlier times. The stability of workers and jobs in that market is better described by a spectrum, and it may have been easier to move gradually along that spectrum to progressively more stable employment than to jump in a single step from one end to the other. The theory of social groups, from which the above analysis of street life derives, suggests that this is the case. When changes in employment require changing social groups, the changes are easier the more closely the values of the new group resemble those of the old.

The dual market model is not a fully accurate description of the contemporary labor market either. But the model is more nearly approached now than it was in the past. The completion, by a greater and greater portion of the total labor force of the transition to industrial work, combined with the effects of union organization and social welfare legislation, has tended to create a discontinuity along the spectrum. If workers (and jobs) of intermediate stability have not been completely eliminated, their numbers relative to those with unstable work habits may have been greatly reduced. This implies, in turn, a decline in the alternative behavioral models to which the very unstable are exposed and in the number of social groups that can serve as way-stations in their transition to stable life styles. For Negroes,

suburbanization combined with segregated housing patterns may have had an even stronger adverse impact upon the contacts necessary for the development of stable work habits.²⁵

III

Implications For Public Policy

It remains in this final section to assess the implications of the preceding analysis for public policy. The analysis does not suggest altogether new policy measures. It does, however, provide a somewhat different perspective upon policies and proposals already current. This can best be seen by contrasting the dual labor market interpretation of the manpower problems of disadvantaged workers with the more conventional interpretation underlying present policy.

The conventional interpretation emphasizes skill deficiencies as the essential characteristic distinguishing disadvantaged from other workers. It derives from a model in which the distribution of employment opportunities is viewed as a queuing problem. The labor market is thought to operate as if workers stood in a line, ranked by their relative desirability to employers, and employment expanded and contracted along

25. Thus, Gans, for example, attributes the number of West End Italians abandoning working class values for those of the middle class to the number of Jews living in the area. The effect, he argues, is due to the fact the Jews provide alternative models of behavior and supportive peer groups for Italian children predisposed to values different from those of their parents. Gans op. cit. p. 134 and pp. 206-207. This effect is also suggested by the Coleman Report findings on the critical importance of integration across social and economic class in the educational performance of disadvantaged children. James Coleman et al., Equality of Educational Opportunity (Washington: U. S. Office of Education, 1966).

that line, so that the unemployed are those standing at its end. "Desirability" in this model is largely a function of job skills, or the ability to absorb skills on the job for which educational attainment is generally used as a surrogate. Hence, the skill deficiencies of the disadvantaged place them last in the queue and leave them unemployed.²⁶

This interpretation points first to aggregate demand policies which expand employment along the queue; second, to training policies which remedy skill deficiencies and thereby change the position of the disadvantaged in the line, and third, to subsidies which, by compensating employers for the cost of skill deficiencies, also change the relative position of the disadvantaged. Where training takes place on the job, the second and third types of policies overlap. A fourth policy derived from the interpretation is a shift in the composition of aggregate demand toward industries where skill deficiencies are not a cost impediment.

The dual labor market interpretation emphasizes the instability of disadvantaged workers and of the jobs available to them. The high unemployment rates of the disadvantaged are attributed to the frequency with which workers change jobs.²⁷ Skill deficiencies are also seen as derivative of instability. They result from the fact

26. This model requires either extreme rigidities in the wage structure or barriers to substitution among skills that are imposed by the technology and is thus often linked to theories of automation and structural unemployment.

27. In this sense, it is a "frictional" theory of unemployment as opposed to the structural theory underlying the conventional interpretation.

that workers do not remain on the job long enough to acquire skills and employers are deterred from organizing work so that skills are developed. The secondary market is consistent with the incentives facing employers and workers within it, but is perpetuated by an interaction between demand and supply. Workers cannot develop stable work habits until employment opportunities have stabilized, but the latter are adjusted to the instability of the labor force and will not stabilize without precedent changes in worker traits. This interaction is viewed as the basic obstacle to the elimination of the secondary market. The interpretation points to policies which attempt to stabilize one side of the market and hold it stable long enough for the other side of the market to adjust to it.

The effects of expanded aggregate demand and tight labor markets are more ambiguous under this interpretation than in the conventional model. A tight market will not solve the problem directly, and its indirect effects work at cross purposes. Tight markets clearly enhance the stability of demand for ghetto workers. Even if the duration of each job remains unchanged, people can more readily find work when they want it, and are thus forced back upon the street involuntarily with less frequency. A tight market may also reduce voluntary turnover; because time between jobs is reduced, incomes are higher and more competitive with the destabilizing alternatives of welfare and crime.²⁸ On the other hand, the penalties associated with

28. Unless income from the latter is inflated by the increase in the in-flow of legitimate income. This depends upon the income elasticity of illicit consumption.

voluntary turnover are reduced; individuals can abandon their jobs when they do not want to work without fear that they will be unable to find another job when work again becomes necessary.

On the demand side of the market, the permanence of product demand in a tight labor market is probably as critical as tightness per se. If high levels of demand are expected to last, secondary employers may attempt to reduce turnover by providing the kinds of incentives to remain on the job available in the primary sector, and primary employers may find it profitable to admit secondary workers on a permanent basis. If demand is expected to subside, however, primary employers may simply shift the temporary increase to the secondary sector where it can be met without incurring longrun commitments.

The dual market model suggests that many of the selective labor market policies have been misdirected. Because policy has not recognized the distinction between the primary and the secondary market, considerable effort has been expended in getting jobs for ghetto workers which they could have gotten on their own. These efforts may have "perfected" information flows, but there is little evidence that information constitutes a serious problem within the secondary market.²⁹

29. Cf. Joseph C. Ullman and David P. Taylor, "The Information System in Changing Labor Markets", in Industrial Relations Research Association Proceedings, 1965: Winter Meetings. The findings of this study, while subject to several different interpretations, certainly do not support the contention that information is the central problem in the ghetto market.

Recent policy proposals take greater cognizance of the distinction between the two markets. They emphasize the opening of the primary sector, through persuasion, appeal to self-interest in the light of urban riots, and direct subsidies. While these policies are also predicated on the "skill deficiency" theory of the ghetto problem, they will be capable of remedying the behavioral difficulties if they can indeed open such jobs and keep the newly hired ghetto worker in them. The policies are, however, beset by two problems. The first is that the effect of the required behavioral concessions upon industrial relations outlined in the section I make them exceedingly expensive and may ultimately deter large scale employer participation completely.

The second problem is that employers hiring ghetto workers in large numbers may accommodate to their behavioral characteristics rather than attempt to change them. Instead of workers moving to the primary sector, in other words, employers may simply move into the secondary sector. The jobs may continue to pay higher wages if the subsidy is conditioned upon them, but this would only imply that the subsidy has substituted for the low wages through which the adverse characteristics of the disadvantaged are financed in its absence.

Neither of these problems is insurmountable. The latest proposals to subsidize plant location in the ghetto itself is an almost ideal solution to the first problem. A separate ghetto plant should isolate behavioral concessions from the rest of the company's labor force and thus circumvent the industrial relations dynamic. A ghetto plant has advantages in combatting the factors which generate the behavior difficulties. It eliminates transportation barriers. It permits the company freedom to select as supervisors those experienced workers who are the least prejudice and removes them from social pressure to conform to group prejudice. This should

reduce the backlash. A further advantage of a ghetto plant is the opportunity it creates to utilize the street group and the neighborhood, which normally work against adjustment to primary jobs, to its advantage. Street-corner friends can be hired as a group and adjustment made a group project. Even when this is not possible, the employment of workers who live in close proximity to each other should facilitate the formation of new social groups to replace those which the individual must abandon as his employment stabilizes. Finally, to the extent that managerial jobs are opened to ghetto workers -- and this feature is built into most proposals -- the plant will provide employment utilizing the skills of "hustlers", who are not attracted to the manual jobs of the primary sector.

The ghetto plant proposal does not combat the tendency for management, under pressure to show a profit, to adapt the organization of work to the habits of the labor force before the labor force can adapt to the requirements of primary jobs. One proposal which does combat this tendency is to utilize the ghetto facility as a "feeder" for other company plants in the area, requiring ghetto workers to transfer once they have adapted to the requirements of primary employment. The success of the transfers can then serve as a criteria in judging managerial success; in visibility and ease of measurement, it is probably competitive with other managerial success criteria. Another advantage of a feeder plant is that it expands the number of ghetto residents having access to jobs through the new facility. The feeder plant concept is being pioneered by Western Electric in Newark.

The theory of employment differentiation expounded above suggests other methods of deterring managerial accommodation to existing worker traits. One of these is a subsidy inversely related to the rate of turnover. Another is subsidies confined to skilled jobs not easily redesigned for unstable workers. A considerably wider understanding of the distinction between the primary and secondary market is necessary, however, before the details of effective deterrents can be worked out. From this point of view, a program of direct subsidies readily revised in the light of new knowledge appears preferable to a tax incentive.

Finally, the dual market interpretation points to a broad range of policies not normally thought to be employment related: these are policies altering the incentives for stabilization facing employers and workers. As seen in section II, disparities in union power and in the impact of social insurance taxation operate on the demand side of the market to strengthen the distinction between the primary and secondary jobs. A number of correctives are possible, some of greater political feasibility than others. Among these are the extension of coverage under the National Labor Relations Act, amendments to that Act which strengthen union power in the low wage sectors, and a widening in the range of variation in the unemployment insurance tax rate. Removal of the income ceiling in social insurance taxation or progressivity in the employer tax rate would reduce the incentive for stabilization in some companies and might regenerate jobs of intermediate stability to serve as points of transition between the secondary and primary markets. The most effective measure to stabilize demand would probably be a tax on employee turnover.

On the supply side of the market, some of the proposals for welfare

reform are conducive to greater accommodation of the potential labor force to work discipline. The negative income tax is probably the most effective of these. Among its several advantages are a reduction in the incentive to "cheat" present in the categorical assistance system, and also characteristic of secondary jobs, and an elimination of the pressure in the present system for complete idleness that pushes people on welfare toward street life. Reforms aimed at stabilizing illicit activities and reducing the competition which they pose to legitimate employment might also have important effects on the supply side of the market. Further research in the criminal "labor markets" is necessary for the design of the reforms. Superficial examination suggests that some activities, e.g. dope traffic and gambling, might be legalized, thus regularizing the employment they offer and reducing the incomes which they afford. Other activities -- loan sharking, for example -- might be curtailed by the provision of goods and services in the ghetto on the terms at which they are available outside. Still other activities might be undermined by stricter law enforcement.

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